

Voluntary Report – public distribution

Date: 11/19/2003

GAIN Report Number: AR3042

Argentina

Grain and Feed

Update

2003

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Report Highlights:

Wheat production in western Argentina was affected by drought. Corn plantings are down due to a lack of moisture during planting, and higher costs of production compared to soybeans.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Buenos Aires [AR1]
[AR]

Table of Contents

Production 3
 Corn Production 3
 Wheat Production 3
Trade..... 4
 Corn Trade 4
 Wheat Trade..... 4
Policy 4

Production

Corn Production

Many producers, feeling the pressure of the high costs associated with corn compared to soybeans, are switching out of corn and into soybeans. With the optimal planting date for corn planting in northern Argentina (end of October) fast approaching, many producers still have not planted all of their corn due to insufficient moisture and/or low returns compared to soybeans. Instead, many are turning to soybeans, which require less moisture and fewer inputs (and result in lower costs) compared to corn.

Another factor that producers consider when deciding to plant soybeans or corn is whether they own or rent the land. Producers who rent land are less likely to produce corn due to higher input costs than those who own the land and use corn in their rotations to restore soil nutrients. Up to 60 percent of the land in the major corn producing area is rented.

Post will be watching producer's tendencies to increase area planted to corn for silage. Many sources feel that as producers begin replacing pastureland with soybeans or other crops, they will need to increase the amount of grain, mostly corn silage, for cattle feed. While it is still early in the corn season to get a handle on producers' harvest intentions, there is the chance that area harvested for corn grain (for processing or export, not silage) will fall. While USDA does not carry data on planted versus harvested area for corn, the Argentine Secretariat for Agriculture, Livestock, and Fisheries (SAGyP) does publish such data. The interpretation of the divergence of the two areas usually can be accounted for as corn harvested for silage. As the corn season progresses, producers harvest intentions may become more apparent.

Post is decreasing its marketing year (MY) 2003/04 (March – February) production forecast to reflect the above-mentioned changes. Corn acreage is forecast to decrease from Post's previous MY 2003/2004 forecast of 2.6 million hectares to 2.4 million hectares. Production is expected to decrease from Post's previous MY 2003/2004 forecast of 15 million metric tons (MT) to 14.5 million MT.

Wheat Production

Wheat production in western Argentina suffered slightly from a lack of moisture. The major areas affected are in the provinces of Cordoba and La Pampa where yield reductions of up to 40 percent are expected. In other areas of the country, especially the major wheat producing areas, industry sources are expecting normal to above normal yields.

Last year's flooding has been good news for areas of the country since it increased the water table. The province of Buenos Aires especially benefited from the flooding. In a normal year, the lack of rain would have been detrimental for the wheat crop. However, because the drought occurred at a time when the roots had reached the water table, which is higher than normal due to last year's flooding, the plants were not severely affected.

Nevertheless, the lack of moisture in the western provinces has taken its toll and post is reducing wheat production from the previous MY 2003/2004 (December – November) forecast of 14.5 million MT to 13.00 million MT. Post is also reducing the previous MY 2003/2004 harvested area forecast of 6.0 million hectares to 5.8 million hectares, bringing it in line with USDA Washington's forecast.

Trade

Corn Trade

Corn exports for MY 2003/2004 remain at Post's previous forecast of 10.5 million MT.

Wheat Trade

Exports through August 2003 have reached only 5.1 million MT, according to the Argentine National Institute of Statistics and Census (INDEC). Historically wheat exports through August have accounted for approximately 90 percent of total MY exports. At this pace, it is unlikely wheat exports will reach post's previous MY 2002/2003 estimate of 8.1 million MT. Therefore, Post is reducing its MY 2002/2003 export estimate to 6.0 million MT.

Post's MY 2003/2004 forecast is reduced from 9.5 million MT to 8.0 million MT to reflect production changes.

Policy

The Government of Argentina enacted a reform to the revenue tax law for grain and oilseed exporters. The law states that revenue tax will be calculated using the price of the commodity on the date of contract or date of shipment, whichever is higher. Producers are feeling the brunt of this new regulation as exporters, uncertain how prices will change from the date of purchase to the date of export, are beginning to pass this risk along in terms of a reduction of offering price.

Many traders feel the transparency of the futures market is threatened by this reform and the market may react negatively as the implications of the reform become more apparent. Already the market has begun to reflect the uncertainty of this reform as the gap between the local price of soybeans and the Chicago price for July/04 soybean has increased compared to prices before the reform.

PSD Table							
Country	Argentina						
Commodity	Wheat				(1000 HA)	(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast	UOM
	USDA Official	Estimate	DA Official	Estimate	DA Official	Estimate	[New]
Market Year Begin		12/2001		12/2002		12/2003	MM/YYYY
Area Harvested	6825	6825	5900	5900	5800	5800	(1000 HA)
Beginning Stocks	589	589	1139	1139	2269	2269	(1000 MT)
Production	15500	15500	12300	12300	13500	13000	(1000 MT)
TOTAL Mkt. Yr. Imports	12	12	10	10	10	10	(1000 MT)
Jul-Jun Imports	5	5	15	10	10	10	(1000 MT)
Jul-Jun Import U.S.	0	0	8	0	0	0	(1000 MT)
TOTAL SUPPLY	16101	16101	13449	13449	15779	15279	(1000 MT)
TOTAL Mkt. Yr. Exports	10075	10075	6000	6000	8500	8000	(1000 MT)
Jul-Jun Exports	11671	11671	5796	5796	9000	7300	(1000 MT)
Feed Dom. Consumption	85	85	80	80	80	80	(1000 MT)
TOTAL Dom. Consumption	4887	4887	5180	5180	5280	5280	(1000 MT)
Ending Stocks	1139	1139	2269	2269	1999	1999	(1000 MT)
TOTAL DISTRIBUTION	16101	16101	13449	13449	15779	15279	(1000 MT)

PSD Table							
Country	Argentina						
Commodity	Corn				(1000 HA)	(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast	UOM
	USDA Official	Estimate	DA Official	Estimate	DA Official	Estimate	[New]
Market Year Begin		03/2002		03/2003		03/2004	MM/YYYY
Area Harvested	2450	2450	2450	2450	2600	2400	(1000 HA)
Beginning Stocks	637	637	389	389	604	604	(1000 MT)
Production	14700	14700	15500	15500	16000	14500	(1000 MT)
TOTAL Mkt. Yr. Imports	2	2	15	15	10	10	(1000 MT)
Oct-Sep Imports	2	2	15	15	10	10	(1000 MT)
Oct-Sep Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	15339	15339	15904	15904	16614	15114	(1000 MT)
TOTAL Mkt. Yr. Exports	10800	10800	12000	12000	12000	10500	(1000 MT)
Oct-Sep Exports	8581	8581	13500	13500	11500	11500	(1000 MT)
Feed Dom. Consumption	2650	2650	1800	1800	2500	2500	(1000 MT)
TOTAL Dom. Consumption	4150	4150	3300	3300	4000	4000	(1000 MT)
Ending Stocks	389	389	604	604	614	614	(1000 MT)
TOTAL DISTRIBUTION	15339	15339	15904	15904	16614	15114	(1000 MT)